

## **Audit Committee minutes**

Monday 8 December 2014

### **Members**

Ian Watmore (chair)  
Ailsa Beaton  
Roger Barlow

Non-Executive Director  
Non-Executive Director  
Independent Audit Committee  
member

### **Attendees:**

#### ICO

Simon Entwisle  
Louise Byers  
Heather Dove

Deputy Chief Executive Officer  
Head of Good Practice  
Head of Finance

#### Internal Auditors

Phil Keown  
Paul Eckersley

Grant Thornton  
Grant Thornton

#### External Auditors

James Edmands  
David Eagles

National Audit Office  
BDO

#### Secretariat

Peter Bloomfield  
Neil Bostock

Senior Corporate Governance Manager  
Corporate Governance Officer

## **1. Introductions and apologies**

- 1.1. Christopher Graham was unable to attend the meeting due to another diary commitment. David Eagles of BDO was welcomed to his first Audit Committee meeting.

## **2. Declaration of interests**

- 2.1. There were no declarations of interest.

### **3. Minutes and action points from the Audit Committee meeting of the 8 September**

- 3.1. The minutes had been agreed by correspondence.
- 3.2. The action point for Simon Entwisle to provide the Committee with update reports on the new finance system remained outstanding as an update was required at the March 2015 meeting.
- 3.3. Simon Entwisle confirmed that the Management Board action to finalise the IT strategy was also complete. The action had related to detailed plans for various IT projects where there had been uncertainty about what exactly was to be done and the cost. The IT and Finance Steering Groups had reviewed the plans and expenditure and Executive Team were confident that the various projects would be deliver.
- 3.4. Simon Entwisle advised that work was on-going on a more high level strategy looking towards the end of IT service contracts in 2016 and the need to ensure the right model for IT procurement for the ICO was identified and followed. Grant Thornton was involved in this work.
- 3.5. There was discussion about retaining some of the proceeds of civil monetary penalties paid to the ICO, to cover the cost of chasing payment in some cases. The NAO had provided information to the ICO who were in discussion with the Ministry of Justice. It was not straight forward however and there had not been much movement.
- 3.6. It was suggested that the matter should be taken forward in conjunction with work coming out of the Triennial Review which might impact on funding and on work looking at amending the notification fee structure.

**Action point 1: Louise Byers to provide an update to the next Audit Committee on the retaining of proceeds from civil monetary penalties to the next meeting.**

### **4. Deputy Chief Executive Officer's update**

- 4.1. Simon Entwisle provided the Committee with an update on major issues from his perspective.

#### July 2014 pay remit

- 4.2. The ICO had been negotiating with the Ministry of Justice and Treasury on the pay remit since February and was currently awaiting confirmation that the pay remit had been agreed and could be discussed with trade union side. The fact that agreement had been delayed was a frustration

for the Executive given the desire to get as good a deal as possible for staff as early as possible. Uncertainty over the remit did also have an impact on financial planning for 2015/16.

#### Operational performance

- 4.3. Operational performance was steady. Changes introduced to the handling of data protection complaints in April were working with the ICO now focusing more on issues of regulatory importance. In respect of freedom of information the ICO had moved some resources to proactively monitor the performance of public authorities in responding to information requests.

#### Expenditure 2014/15

- 4.4. Income and expenditure were on track for 2014/15. In particular there was more certainty over expenditure on IT projects and the need for dedicated resources from the IT service contractor to take forward specific projects had been agreed. However there was one important project which had been delayed. It was expected that this might be completed before Christmas.

#### Enforcement

- 4.5. There was a large on-going investigation into criminal offences under the Data Protection Act which was taking up a lot of resources. The National Crime Agency was supplying staff to assist.

**Action point 2: Peter Bloomfield to ensure consideration of any risks arising from enforcement work took place.**

#### Long term IT service provision

- 4.6. As noted earlier the ICO was beginning to consider how best to procure its IT services post 2016.

**Action point 3: James Edmands to provide Simon Entwisle with recent NAO work on IT outsourcing to help inform decisions.**

#### Triennial review

- 4.7. The Ministry of Justice is undertaking a triennial review of the ICO, providing a robust challenge to the continuing need for individual NDPBs (in function and form) and then of how it delivers its functions. There was a Ministry of Justice consultation ending on 16 January and it was expected that the whole process would be completed by the end of March.

## 5. Risk register

- 5.1. The new risk register and the main areas of risk were considered.

### Money

- 5.2. There was discussion on payment levels for notification fees. It was recognised that it was not easy to identify how many data controllers needed to register and hence how successful the ICO was at ensuring compliance. And planned research on how best to identify the level of data processing by data controllers (to feed into decisions on the structure of notification fees) had been delayed pending the results of the Triennial Review.
- 5.3. The Committee highlighted their view that further work needed to be done in this area.

### People

- 5.4. The results of the recent staff survey (including the response rate) and staff concerns about pay were considered. This was identified by the Committee as an issue for Management Board.

**Action point 4: Peter Bloomfield to discuss with the Commissioner inclusion of people issues as an item for discussion at the next Management Board.**

- 5.5. Uncertainty over accommodation in Wilmslow was also noted as a factor influencing how staff felt. The need for concluding the matter quickly might need to be escalated at the Ministry of Justice.
- 5.6. The status of the people risk after mitigation was questioned.
- 5.7. The risk to the ICO from cyber threats was also raised. This was discussed further under agenda item 8.

## 6. Finance

- 6.1. An oral update on the replacement of the finance system was provided. The project was progressing well; on budget and ahead of time. There was a good working relationship with the IT service contractor and other companies involved. The new system and the transition to it had also been discussed with the auditors.
- 6.2. It was planned to move to the new system in February and to use the new system to produce the end of year

accounts. However if there were problems the existing system data could be used.

- 6.3. It was confirmed that the Ministry of Justice required financial reporting on an accruals basis.

## **7. Integrated assurance**

- 7.1. There was an oral update on the Integrated Assurance Project. This was being led by the Information Governance team and focused on information risks. Working with information asset owners the team had identified actions to improve the handling of information across the ICO. A further report was coming to Leadership Group in February.

## **8. Outstanding audit recommendations**

- 8.1. Dave Wells, Head of IT, attended for this item.
- 8.2. Clearance of the majority of the outstanding internal and external audit recommendations was noted. In respect of the IT related recommendations it was accepted that the dates agreed had been overly optimistic. The outstanding recommendation related to IT capacity (hardware) issues.
- 8.3. There was further discussion on cyber security issues.

## **9. Internal audit**

- 9.1. Grant Thornton presented their report on the recent Integrated Assurance: Management Assurance review. This involved a review of the different levels of management scrutiny and assurance over key areas of the organisation. Grant Thornton found that the ICO had a well-developed network of second line management led assurance functions.
- 9.2. The internal audit progress report was also presented. The Integrated Assurance review had been completed. The Project review (covering Project Eagle and the Finance System Replacement Project) had started. Work was in-train for the Corporate and Financial Planning review due to take place in January.
- 9.3. An update on the results of the Project Review was given. Project Eagle had been the first time the ICO had used agile working in an organisational (as opposed to IT) project. Some staff involved had had previous agile experience on IT projects, and the project had worked well. There had been

some communication issues identified during the lessons learnt exercise.

- 9.4. There was a general need to better identify criteria to assess the priority of projects across the ICO.

## **10. External audit**

- 10.1. James Edmands introduced David Eagles, Partner at BDO. BDO had been appointed by the NAO to undertake the detailed audit work needed to support the C&AG's opinion. It was confirmed that the responsibility for recommending the form of audit opinion to the C&AG remained with the NAO.
- 10.2. The Audit planning report on the 2014/15 financial statement audit was presented. It included the significant financial statement risks relating to implementation of a new finance system, allocation of resources by function and management override of controls.
- 10.3. The main audit work would take place during May.
- 10.4. The Audit Committee confirmed the risks covered in the planning report.
- 10.5. The Committee welcomed the continuity of staffing at the NAO.

## **11. Fraud, whistleblowing and security incidents**

- 11.1. Peter Bloomfield introduced the report on fraud, whistleblowing and security incidents at the ICO for the quarter June to September 2014.

## **12. Committee self assessment**

- 12.1. Peter Bloomfield introduced the results of the recent survey across governance committees. There were no major issues identified for the committee to consider. The provision of Audit Committee paper electronically was welcomed.
- 12.2. Peter Bloomfield advised the Committee that work looking at how best to present the corporate governance functions of the ICO to staff was due to start.

## **13. Any other urgent business**

- 13.1. There was no any other business.